

ORIGINAL

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AZ CORP COMMISSION
DOCKET CONTROL

Attorney for SolarCity Corporation

BEFORE THE ARIZONA CORPORATION COMMISSION

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CHAIRMAN

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COMMISSIONER

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COMMISSIONER

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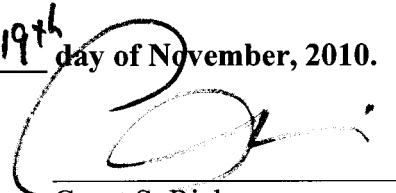
IN THE MATTER OF THE)
APPLICATION OF TUCSON)
ELECTRIC POWER COMPANY FOR)
APPROVAL OF ITS 2010)
RENEWABLE ENERGY STANDARD)
IMPLEMENTATION PLAN AND)
DISTRIBUTED ENERGY)
ADMINISTRATIVE PLAN AND)
REQUEST FOR RESET OF)
RENEWABLE ENERGY ADJUSTOR.)

DOCKET NO's. E-01933A-10-0266

SOLARCITY'S EXCEPTIONS TO
STAFF'S RECOMMENDED ORDER

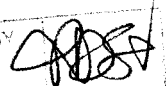
SolarCity Corporation ("SolarCity"), by and through its undersigned counsel, hereby files
its Exceptions to Staff's Recommended Order (the "RO") issued in the above referenced matter.

RESPECTFULLY SUBMITTED this 19th day of November, 2010.


Court S. Rich
Rose Law Group pc
6613 N. Scottsdale Road, Ste 200
Scottsdale, Arizona 85250
Attorney for SolarCity Corporation

Arizona Corporation Commission
DOCKETED

NOV 19 2010

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1 Original plus 13 copies of the foregoing
2 filed this 14th day of November 2010, with:

3 Docket Control
4 Arizona Corporation Commission
5 1200 W. Washington Street
6 Phoenix, Arizona 85007

7 *I hereby certify that I have this day served the foregoing documents on all parties of record in
8 this proceeding by sending a copy via electronic mail to:*

9 Lyn Farmer
10 Chief Administrative Law Judge
11 Arizona Corporation Commission
12 1200 W. Washington Street
13 Phoenix, Arizona 85007
14 *lfarmer@azcc.gov*

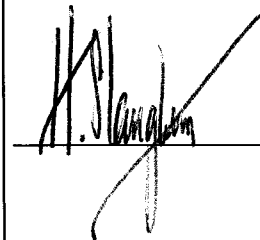
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1 **I. Discussion**

2 SolarCity requests that the RO be modified before adoption to incorporate the changes
3 identified herein.

- 4 A. TEP's SunShare Solar Electric Off-Angle & Shading Annual Energy and
5 Derating Chart should be modified to be consistent with the version that APS
6 employs.

7 The adoption of this year's REST Implementation Plan provides a perfect opportunity to
8 rectify an existing problem with the way TEP calculates the derating factor for its up-front
9 incentives. TEP's SunShare Solar Electric Off-Angle & Shading Annual Energy and Derating
10 Chart (the "Derating Chart") is inconsistent with the chart that Arizona Public Service uses for
11 the same purposes. TEP derates for shading by factors that are poorly defined and it is unclear
12 how they check for shading after the system is installed. As a result, it makes it very difficult to
13 estimate the rebate amount of a system prior to the installation. It would make sense for them to
14 offer a flat rebate for systems installed at a pitch of 5 and 55 degrees and an azimuth south of due
15 east and west. Instituting this change would also make TEP's derating chart more in line with
16 standard residential building practices as TEP currently decreases incentive levels 5% if an array
17 angle is below 20 degrees from the horizontal plane. However, standard residential construction
18 of a pitched roof typically provides for a 4/12 roof pitch which is equivalent to an array angle of
19 18.5 degrees above the horizontal plane. We encourage TEP to adopt APS' much-simplified
20 derating chart in place of the one they have proposed as the APS chart is much more clear and
21 straightforward and also consistent with standard construction practices and regulations. In order
22 to rectify this problem SolarCity proposes the following Amendment to the RO:

23
24 Page 16, Line 21

25
26 INSERT new Ordering Paragraph: "IT IS FURTHER ORDERED that Tucson Electric Power
27 shall modify its proposed SunShare Solar Electric Off-Angle & Shading Annual Energy and
28 Derating Chart so that it provides that 100 percent of the rebate amount shall be available to

1 projects from 5 degrees to 55 degrees above the horizontal plane within a wide azimuth range to
2 be consistent with the provisions of Arizona Public Service Company's APS Off-Angle and
3 Shading Incentive Adjustment Chart."

4
5 B. There should be no cap on the amount of a project that utility rebates can fund

6 SolarCity, along with the rest of the solar industry that has commented in these
7 proceedings, agrees that there should no longer be any cap on the amount of a project that utility
8 rebates can fund. Staff has proposed to cap rebates such that they can only fund up to half of a
9 system's total project's value.

10
11 There is sufficient competition in the solar industry today that project prices and
12 incentive amounts are being driven down very quickly. Further, with an incentive cap in place, a
13 developer is unable to predict exactly how much of a rebate they will be receiving until the
14 project is completed. While the rebate amount is based on system size and output, the total
15 project value includes the financing costs and those are often unknown until the project is
16 completed. As a result, the developer cannot count on a specific rebate amount and this can
17 complicate their ability to acquire necessary project financing. Further, the cap provides a
18 disincentive to driving down prices as lowered project costs ultimately result in developers
19 having to forfeit a larger portion of the rebate (since the rebate becomes a higher percentage of
20 the total project value). Therefore a rebate cap can provide a perverse incentive to keep or even
21 drive project costs artificially high.

22
23 For the above reasons, we would encourage the Commission to lift the cap on incentives
24 and adopt the following proposed Amendment:

25
26 Page 16, Line 17

27 After the words, "IT IS FURTHER ORDERED" DELETE the remainder of lines 17 and 18 and
28 INSERT: "there is no limit on the amount of a project that can be funded by utility rebates."

1 **II. Conclusion**

2 For the forgoing reasons SolarCity respectfully requests that the Commission enter its
3 Order adopting these suggested Amendments.